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August 4, 2004

Mary L. Cottrell, Secretary
Department of Telecommunication and Energy
One South Station, 2nd Floor
Boston, MA 02202

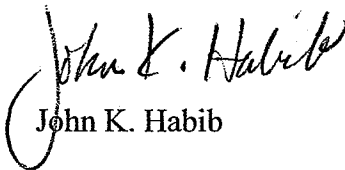
Re: Cambridge Electric Light Company/Commonwealth Electric Company,
D.T.E. 04-60

Dear Secretary Cottrell:

Enclosed please find supplemental responses of Cambridge Electric Light Company ("Cambridge") and Commonwealth Electric Company ("Commonwealth"), each d/b/a NSTAR Electric ("NSTAR Electric" or the "Companies") to discovery questions asked by the Attorney General in the above-referenced proceeding, as listed on the following Discovery Log.

Thank you for your attention to this matter.

Very truly yours,


John K. Habib

Enclosures

cc: Service List
Joan Foster Evans, Hearing Officer (2)
Colleen McConnell, Assistant Attorney General (2)

LOG OF RESPONSES FILED

D.T.E. 04-60

August 4, 2004

Response	Status	Other
DTE-1-1	Filed July 22, 2004	Attachment
DTE-1-2	Filed July 22, 2004	
DTE-1-3	Filed July 22, 2004	
DTE-1-4	Filed July 22, 2004	Attachments DTE-1-4 (a) and (b)- Public CD-ROM (REVISED)
DTE-1-5	Filed July 22, 2004	Attachments DTE-1-5 (a) and (b)- Public CD-ROM (REVISED)
DTE-1-6	Filed July 22, 2004	
DTE-1-7	Filed July 22, 2004	
DTE-1-8 CONFIDENTIAL	Filed July 22, 2004	
DTE-1-9	Filed July 22, 2004	
DTE-1-10	Filed July 22, 2004	Attachments - CONFIDENTIAL CD-ROM (REVISED)
DTE-1-11	Filed July 22, 2004	Attachments - CONFIDENTIAL CD-ROM (REVISED)
DTE-1-12	Filed July 22, 2004	
DTE-1-13	Filed July 22, 2004	
DTE-1-14	Filed July 22, 2004	
DTE-1-15	Filed July 22, 2004	
DTE-1-16	Filed July 22, 2004	
DTE-1-17	Filed July 22, 2004	
DTE-1-18	Filed July 22, 2004	
DTE-1-19	Filed July 22, 2004	
DTE-1-20	Filed July 22, 2004	
DTE-1-21	Filed July 22, 2004	
DTE-1-22	Filed July 22, 2004	
DTE-1-23	Filed July 22, 2004	
DTE-1-24	Filed July 22, 2004	
DTE-1-25	Filed July 22, 2004	
DTE-1-26	Filed July 22, 2004	Attachment
DTE-1-27	Filed July 22, 2004	
DTE-1-28	Filed July 22, 2004	
DTE-1-29	Filed July 22, 2004	
DTE-1-30	Filed July 22, 2004	
DTE-1-31	Filed July 22, 2004	
DTE-1-32	Filed July 22, 2004	Attachment- CONFIDENTIAL – CD-ROM (REVISED)
DTE-1-32 (Supp)	Filed July 27, 2004	Attachment

Response	Status	Other
DTE-1-33	Filed July 22, 2004	
DTE-1-34	Filed July 22, 2004	
DTE-1-35	Filed July 22, 2004	Attachment
AG-1-1	Filed July 22, 2004	Attachments AG-1-1 (a) through (v)
AG-1-1 (Supp)	Filed Herewith	
AG-1-2	Filed July 22, 2004	Attachment AG-1-2- CONFIDENTIAL CD-ROM (REVISED)
AG-1-3	Filed July 22, 2004	Attachments AG-1-3(a) and (b)
AG-1-4 CONFIDENTIAL	Filed July 22, 2004	Attachment AG-1-4 - CONFIDENTIAL BULK CD-ROM (REVISED)
		Attachment AG-1-5-(Public Provided in Hard Copy)
AG-1-5	Filed July 26, 2004	Attachment AG-1-5 - CONFIDENTIAL BULK CD-ROM
AG-1-6	Filed July 22, 2004	
AG-1-7	Filed July 22, 2004	Attachment AG-1-7- CONFIDENTIAL CD-ROM (REVISED)
AG-1-8 CONFIDENTIAL	Filed July 22, 2004	Attachment AG-1-8 - CONFIDENTIAL BULK CD-ROM (REVISED)
AG-1-9	Filed July 22, 2004	
AG-1-10	Filed July 22, 2004	Attachment AG-10
AG-1-11	Filed July 22, 2004	
AG-1-12	Filed July 22, 2004	Attachment AG-1-12(a) and (b)
DTE-2-1	Filed August 2, 2004	Attachment DTE-2-1
DTE-2-2	Filed August 3, 2004	
DTE-2-3	Filed August 3, 2004	
DTE-2-4	Filed August 3, 2004	Attachment DTE-2-4(a) CONFIDENTIAL Attachment DTE-2-4(b) CONFIDENTIAL
DTE-2-5	Filed August 2, 2004	
DTE-2-6	Filed August 2, 2004	
DTE-2-7	Filed August 2, 2004	
DTE-2-8	Filed August 2, 2004	
DTE-2-9	Filed August 2, 2004	
DTE-2-10	Filed August 2, 2004	
AG-2-1	Filed July 30, 2004	
AG-2-2	Filed July 30, 2004	Attachment AG-2-2
AG-2-3	Filed July 30, 2004	Attachment AG-2-2(a) CONFIDENTIAL Attachment AG-2-3(b) CONFIDENTIAL
AG-2-4	Filed July 30, 2004	Attachment AG-2-4 CONFIDENTIAL
AG-2-5	Filed July 28, 2004	
AG-2-6	Filed July 28, 2004	
AG-2-7	Filed July 28, 2004	
AG-2-8	Filed July 30, 2004	
AG-2-9	Filed July 28, 2004	

Response	Status	Other
AG-2-10	Filed July 30, 2004	
AG-2-11	Filed July 28, 2004	
AG-2-12	Filed July 30, 2004	
AG-2-13	Filed July 30, 2004	
AG-2-14	Filed July 30, 2004	
AG-2-15	Filed July 30, 2004	
AG-2-16	Filed July 30, 2004	
AG-2-17	Filed July 30, 2004	
AG-2-18	Filed July 28, 2004	
AG-2-19	Filed July 28, 2004	
AG-2-20	Filed August 2, 2004	Attachment AG-2-20 CONFIDENTIAL BULK CD-ROM
AG-2-21	Filed July 30, 2004	Attachment AG-2-21 CD-ROM BULK
AG-2-22	Filed July 30, 2004	
AG-2-23	Filed July 30, 2004	
AG-2-24	Filed July 30, 2004	
AG-2-26	Filed July 30, 2004	
AG-2-27	Filed July 30, 2004	Attachment AG-2-27 CD-ROM CONFIDENTIAL
AG-3-1	Filed August 2, 2004	Attachment AG-3-1 (c) CONFIDENTIAL
AG-3-1 (Supp)	Filed Herewith	Attachment AG-3-1(a) Attachment AG-3-1(b)
AG-3-2	Filed August 2, 2004	Attachment AG-3-2 (a) CONFIDENTIAL BULK
AG-3-2 (Supp)	Filed Herewith	Attachment AG-3-2 (b) CONFIDENTIAL
AG-3-3	Filed August 2, 2004	
AG-3-4	Filed August 2, 2004	
AG-3-5	Filed August 3, 2004	Attachment-AG-3-5(a) CONFIDENTIAL Attachment AG-3-5(b) [Exhibit NSTAR-CAM-GOL-2] Attachment AG-3-5(c) CONFIDENTIAL [Exhibit NSTAR-CAM-GOL-3] Attachment AG-3-5(d) CONFIDENTIAL [Exhibit NSTAR-CAM-GOL-4] Attachment AG-3-5(e) CONFIDENTIAL [Exhibit NSTAR-CAM-GOL-5] Attachment AG-3-5(f) CONFIDENTIAL [Exhibit NSTAR-CAM-GOL-6] Attachment AG-3-5(g) CONFIDENTIAL [Exhibit NSTAR-CAM-GOL-7] Attachment AG-3-5(h) CONFIDENTIAL [Exhibit NSTAR-CAM-GOL-8] Attachment AG-3-5(i) [Exhibit NSTAR-COM-GOL-2] Attachment AG-3-5(j) CONFIDENTIAL [Exhibit NSTAR-COM-GOL-3] Attachment AG-3-5(k) CONFIDENTIAL [Exhibit NSTAR-COM-GOL-4] Attachment AG-3-5(l) CONFIDENTIAL [Exhibit NSTAR-COM-GOL-5] Attachment AG-3-5(m) CONFIDENTIAL [Exhibit NSTAR-COM-GOL-6]

Response	Status	Other
		Attachment AG-3-5(n) CONFIDENTIAL [Exhibit NSTAR-COM-GOL-7] Attachment AG-3-5(o) CONFIDENTIAL [Exhibit NSTAR-COM-GOL-8]
AG-3-6	Filed August 2, 2004	Attachment AG-3-6
AG-3-7	Filed August 3, 2004	Attachment AG-3-7(a) Attachment AG-3-7(b) Attachment AG-3-7(c) CONFIDENTIAL
AG-3-8	Filed August 2, 2004	Attachments AG-3-8(a) through (c)
AG-3-9	Filed August 2, 2004	Attachment AG-3-9
AG-3-10	Filed August 3, 2004	Attachment AG-3-10(a) CONFIDENTIAL BULK CD- ROM Attachment AG-3-10(b) CONFIDENTIAL
AG-3-11	Filed August 3, 2004	
AG-3-12	Filed August 2, 2004	
AG-3-13	Filed August 2, 2004	
AG-3-14	Filed August 3, 2004	Attachment AG-3-14(a) Attachment AG-3-14(b)
AG-3-15	Filed August 2, 2004	
AG-3-16	Filed August 2, 2004	
AG-3-17	Filed August 2, 2004	
AG-3-18	Filed August 2, 2004	

Information Request AG-1-1

During the term of the contracts have the Companies had any disputes with the vendor? If yes, please provide for each dispute the date of the dispute, the amount of the disputed costs, how the dispute was resolved, how any dispute related charges, credits or settlement amounts were accounted for, and the date the dispute was resolved. Include all correspondence between parties to the dispute, any internal correspondence regarding the dispute and any correspondence with any other entities regarding the dispute (including outside counsel, regulatory agencies, and courts). Provide copies of all contracts, contract amendments and agreements related to settlement of each dispute.

Supplemental Response

As requested by the Attorney General, the Companies hereby supplement their initial response to this question in order to address how customers have been affected by any dispute-related charges.

With regard to the Incremental Production Cost Penalty dispute, the Companies noted in their initial response that, during the period of 1993 and 1994, they engaged in a dispute with the vendor in connection with the Companies charging and withholding an Incremental Production Cost Penalty equal to \$63,040 against the vendor's March 1994 invoice. Specifically, the \$63,040 was an amount that the Companies withheld as a Production Cost penalty for failure to provide 300 starts and stops of the unit according to the contract. It was subsequently determined that the plant was available for the allotted number of stops, therefore the Companies could not impose the Production Cost penalty. As a result, the amounts were refunded and customers paid the total cost for the units.

With respect to the issues referenced in the Companies initial response regarding advent of Standard Market Design, on March 1, 2003, a financial settlement for the hourly LMP differential between the unit bus bar and the designated delivery points was required to be calculated. This financial settlement is associated with delivering the entitlement from the unit to the designated delivery points. Although initially this settlement resulted in the Companies withholding amounts due Pittsfield for the difference, the calculation has resulted in a net payment to Pittsfield for \$36,800 for the period March 2003 through June 2004. This amount has been included as a cost for the power delivered from the unit and has been charged to customers.

With regard to the Unit Bidding Issue, Pittsfield has been bidding the unit into the ISO-NE market system at increasing price offer blocks based on spot gas prices, which results in reduced dispatch. However, an amount associated with this practice is very difficult to calculate because there are times when the unit would not be economic and would not be

selected by ISO-NE, regardless of the current bidding practices. Accordingly, the Companies have not determined how much money is at stake for customers in relation to this practice.

Information Request AG-3-1

Please provide copies of all communications between the Companies (including all NSTAR employees and outside service providers) and the Department regarding the mitigation, sale, buydown or buyout of the Companies PPAs. If communication was only verbal, provide a summary of the discussions. Include dates and names of parties involved in the communications.

Supplemental Response

Please find attached: (a) Exhibit BEC-JFL, pages 24-25, in D.T.E. 03-117 (Attachment AG-3-1(a)); and (2) Exhibit CAM-COM-JFL, page 22, in D.T.E. 03-118 (Attachment AG-3-1(b)), which were inadvertently missing from the Companies initial response to this request.

1 of Exhibits BEC-JFL-4 and BEC-JFL-6; the monthly Default Service interest
2 calculation can be found on page 1 of Exhibit BEC-JFL-5 and BEC-JFL-7.

3 **Q. Is the Company mitigating its transition costs?**

4 A. Yes. The Act and the approved restructuring plans require that the Company take
5 all reasonable steps to mitigate its transition costs "to the maximum extent
6 possible" and encourages electric companies to divest their generating assets and
7 renegotiate or buy-out of above-market PPAs.

8 **Q. During 2003 has the Company attempted to renegotiate the terms of the**
9 **PPAs in good faith?**

10 A. Yes. In an ongoing effort to mitigate stranded costs associated with the PPA
11 contracts, the Company has negotiated with the other parties to the PPAs. The
12 Company has also engaged the services of Concentric Energy Advisors ("CEA")
13 to administer an auction of the PPAs. CEA has participated in many asset
14 divestitures across the country and has significant expertise in this area. The
15 Company and CEA are currently in the process of responding to due-diligence
16 questions from over 20 potential bidders, including other parties to the PPAs.

17 **Q. Has the Company been successful in renegotiating or buying out any of its**
18 **PPA contracts?**

19 A. It is anticipated that offers will be made for some or all of the PPAs with bidding
20 to take place on December 3, 2003. It is not known at this time if offers will
21 result in the sale or restructuring of the PPAs. Once offers are made, the

1 Company and CEA will make a determination whether to proceed and to file for
2 approval of any sale of the PPAs with the Department in early 2004.

3 **Q. Why does the Company believe that it has mitigated its transition costs**
4 **associated with PPAs to the maximum extent possible?**

5 **A.** Consistent with the Act and the Company's restructuring plans, Boston Edison
6 has attempted to mitigate its transition costs associated with PPAs through good-
7 faith renegotiations and buy-outs. Customers have realized significant savings
8 because of these efforts and will continue to realize savings in the future if and
9 when the Company further reduces its PPA obligations through renegotiation, sale
10 and buy-outs of these contracts. However, the Company will proceed with a
11 divestiture of a PPA contract only to the extent that the transaction will result in
12 net benefits for its customers. If a divestiture transaction would result in
13 additional costs for customers and not produce maximum mitigation of transition
14 costs, the Company will not pursue it. For example, it would not be in customers'
15 best interest to sell existing power contracts at an imputed price of 3 cents per
16 kWh and then proceed to procure Standard Offer supplies at 6 cents per kWh.
17 The Company continues to explore all alternatives to reduce its transition costs
18 associated with PPAs.

19 **Q. Describe how the Company currently obtains Standard Offer Service and**
20 **Default Service for its customers.**

21 **A.** The Company is responsible for supplying retail customers with Standard Offer
22 Service and Default Service. The Company, jointly with Cambridge and

Testimony of Joseph F. Lanzel

D.T.E. 03-118

Exhibit CAM-COM-JFL

December 3, 2003

Page 22

1 **Q. Are the Companies mitigating their transition costs?**

2 A. Yes. The Act and the approved restructuring plans require that the Companies
3 take all reasonable steps to mitigate its transition costs “to the maximum extent
4 possible” and encourages electric companies to divest their generating assets and
5 renegotiate or buy-out of above-market PPAs.

6 **Q. During 2003 have the Companies attempted to renegotiate the terms of the**
7 **PPAs in good faith?**

8 A. Yes. In an ongoing effort to mitigate stranded costs associated with the PPA
9 contracts, the Companies have negotiated with the other parties to the PPAs. The
10 Companies have also engaged the services of Concentric Energy Advisors
11 (“CEA”) to administer an auction of the PPAs. CEA has participated in many
12 asset divestitures across the country and has significant expertise in this area. The
13 Companies and CEA are currently in the process of responding to due-diligence
14 questions from over 20 potential bidders, including other parties to the PPAs.

15 **Q. Have the Companies been successful in renegotiating or buying out any of its**
16 **PPA contracts?**

17 A. It is anticipated that offers will be made for some or all of the PPAs with bidding
18 to take place on December 3, 2003. It is not known at this time if offers will
19 result in the sale or restructuring of the PPAs. Once offers are made, the
20 Companies and CEA will make a determination whether to proceed and to file for
21 approval of any sale of the PPAs with the Department in early 2004.

Information Request AG-3-2

How did NSTAR select CEA to manage and administer the PPA auction? Please provide all related RFP materials, the RFP distribution list and all response evaluation materials, including bid revisions. If CEA was not selected as the result of a competitive bid, please explain why.

Supplemental Response

Please find attached a summary of the bids received by the Companies in response to its RFP for services to administer the PPA auction. (see Attachment AG-3-2(b) **CONFIDENTIAL**). Please also note that, in addition to the companies that submitted bids to the RFP, (bids provided as Attachment AG-3-2 **CONFIDENTIAL BULK**), the Companies sent the RFP to one additional company, E/Pro Consulting LLC, which did not submit a bid.

Please note that the information provided herein is confidential, proprietary and competitively sensitive and is being provided subject to a Non-Disclosure Agreement between NSTAR Electric and the Attorney General and a forthcoming Motion for Protective Treatment of responses to the Department's and the Attorney General's Second Set of Discovery in this proceeding.

REDACTED

Auction Consultant Services RFP Overview

Bidder	Pricing	Notes

REDACTED

REDACTED

REDACTED

Bidder

REDACTED

<u>Category</u>	<u>Weight</u>	<u>Score</u>					
		1	3	5	6	4	2
Price	50%	1	3	5	6	4	2
Experience	15%	2	3	4	1	5	6
Reputation	10%	3	4	2	1	6	5
Capabilities	10%	3	2	6	1	4	5
Response	10%	6	1	4	2	5	2
Size	5%	6	4	2	5	3	1

Total Score 2.3 2.85 4.4 3.8 4.4 3.15